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J. ALLAN ROSS
Commissioner

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Ontario Hydro-Electric
Inquiry Commission,
1922-24

Miscellaneous document 7



"Clean-Up" Deal

Statement of Messrs. Clarkson and
Guilfoyle before Commission on
August 18, 1922.



Toronto,
18th August, 1922.

First- we anticipated that the revenue of the Electric Light Company RE: "CLEAN-UP" DEAL would mean a reduction of about \$1,000,000 more than we had estimated. It is going to work out well.

Second - STATEMENT OF MR. CLARKSON AND MR. GUILFOYLE BEFORE THE COMMISSION. million dollars in the redemption of the \$1,000,000 of the debentures.

CHAIRMAN: How can you save this money?

When we worked it out we went over the accounts and statements of the Power Companies and eliminated the charges that the Hydro would get free of, particularly taxes and certain allowances made for overhead, etc. Then we took the revenue on the basis of what the Hydro could get for it excepting that we gave them some credit for long term contracts for which they were getting a higher price. We were able to work out the Electrical Development Co., and Toronto Electric Light Co. on that basis. So far as the railway lines were concerned we had nothing to do with them. McKenzie took the attitude that the Hydro said they knew all about running the radials and that if they (the Hydro) ran the Metropolitan they would run it on a different basis, and all that was to be done in that case was to value the property physically. We knew for a fact so far as the Metropolitan was concerned that that line was making some money, that the Lake Shore line was breaking even while Scarborough was losing. The radial railways and the steam plant in Toronto were valued on a physical basis by Hydro engineers.

CHAIRMAN: The valuation of the Power plants was made on the basis of \$12.00 horsepower. I think this \$12 basis was set on the basis of Chippawa power costing about \$12.00. I think the combined figures came to \$26,000,000 on that basis. I feel now it is most unlikely that there will be \$12 or \$14 power from Chippawa for some time. My opinion at the time was that \$12 was too low a price to connect with the cost of Chippawa and that we would have a higher cost to sustain for some time. It was my own opinion. Then later on they came down and we were instructed to work it out on the basis of \$14 power, and this came out to \$30,700,000, of which \$4,460,000 was the physical valuation of the Steam Plant and the Radial lines. The Electrical Development and the Toronto Electric Light were the other two elements.

Power Co. We started negotiations. McKenzie wanted \$45,000,000; then he came down to \$38,000,000; then \$35,000,000. Finally I told McKenzie I would not recommend over \$28,000,000 and he came down to \$34,000,000, then they struck \$32,000,000. That is how the price was arrived at. Now in that price of \$32,000,000 there are these factors:

E.R.P.C. Engineers ran the radial lines, the accounts of which we did not see. McKenzie refused to let us see them. We calculated the \$30,000,000 on an amortized basis figuring on \$14 power. At the time

RE: "GILMAN-UP" DEAL

STATEMENT OF MR. CLARISON AND MR. GILMAN BEFORE THE COMMISSION.

Toronto,
18th August, 1932.

When we worked it out we went over the accounts and statements of the Power Companies and eliminated the charges that the Hydro would get free of, particularly taxes and certain allowances made for overhead, etc. Then we took the revenue on the basis of what the Hydro could get for it excepting that we gave them some credit for long term contract for which they were getting a higher price. We were able to work out the Electrical Development Co., and Toronto Electric Light Co. on that basis. So far as the railway lines were concerned we had nothing to do with them. McKenzie took the attitude that the Hydro said they knew all about running the radials and that if they (the Hydro) ran the Metropolitan they would run it on a different basis, and all that was to be done in that case was to value the property physically. We knew for a fact so far as the Metropolitan was concerned that that line was making some money, that the Lake Shore line was breaking even while Scarborough was losing. The radial railways and the steam plant in Toronto were valued on a physical basis by Hydro engineers.

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We started negotiations. McKenzie wanted \$45,000,000; then he came down to \$38,000,000; then \$35,000,000. Finally I told McKenzie I would not recommend over \$28,000,000 and he came down to \$24,000,000, then they struck \$22,000,000. That is how the price was arrived at. Now in that price of \$22,000,000 there are these factors:

First- we anticipated that the revenue of the Electric Light Company at the increased rates (25%) would mean a reduction of about \$1,000,000 more than we had estimated, It is going to work out well.

Second - we will probably save two or three million dollars in the redemption of the \$13,000,000 of 4½% debentures.

CHAIRMAN: How can you save this money?

A: The debentures are sterling debentures payable in England and I think they are around 90 today

CHAIRMAN: They went up following the negotiations.

A: I do not think you can attribute that rise largely to these negotiations although of course it has something to do with it, but I should say 1/3 of the increase is due to negotiations and 2/3 to the improvement of the of money. I think they were about 68 when the negotiations were on and are about 90 now. There were 5,000 holders in England.

J.A. ROSS: Before anything could be done they had to go out and get those bonds in?

A: No. There was a sinking fund of \$500,000 a year for the redemption of these bonds.

CHAIRMAN: Are any of them redeemed annually?

A: \$500,000 are redeemed annually. This amount is paid into a sinking fund which can either be invested by the trustees or they can advertise that they have this amount of money which they are prepared to pay out in the redemption of debentures if they can get a fair price, and those who want to sell notify the trustees and the trustees buy at the lowest scale until the fund is absorbed. Sometimes they go on the exchange and buy, but if they cannot get them there they have two options: either they can invest the money or they can call for the redemption of these bonds by lot. In the case of the Toronto Power Co. they have redeemed at 105. They have probably made \$200,000 in the redemption of T.E.L. bonds since the negotiations were on.

Coming back to the figure on the \$14 basis, - \$30,700,000-- of that amount \$4,400,000 was the physical valuation of the Steam Plant made by the H.E.P.C. Engineers and the radial lines, the accounts of which we did not see. McKenzie refused to let us see them. We calculated the \$30,000,000 on an amortized basis figuring on \$14 power. At the time

First- we anticipated that the revenue of the Electric Light Company at the increased rates (22%) would mean a reduction of about \$1,000,000 more than we had estimated. It is going to work out well.

Second - we will probably save two or three million dollars in the redemption of the \$18,000,000 of 4 1/2% debentures.

CHAIRMAN: How can you save this money?

A: The debentures are sterling debentures payable in England and I think they are around 90 today

CHAIRMAN: They went up following the negotiations.

A: I do not think you can attribute that rise largely to these negotiations although of course it has something to do with it, but I should say 1/3 of the increase is due to negotiations and 2/3 to the improvement of the of money. I think they were about 88 when the negotiations were on and are about 90 now. There were 8,000 holders in England.

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that \$32,000,000 was agreed to there were two or three points of savings we had in mind: the property.

There were \$13,000,000 of 4½% debentures out which were quoted on the London Exchange at about 68 to 70 while exchange was down to about \$4.00, and there looked to be a margin of about three to four million dollars which I told them we could not count on as exchange may improve and the quotations rise but it looked as though we were safe in saying we could save from one to one and a half million dollars.

Next on the increase of 25% in the rates of the Toronto Electric Light Co. we looked for a saving of \$1,000,000, and although we did not count on it..... Toronto Electric Light Co. earnings \$1,080,000 at the end of the two years (surplus over our calculated assumed rate of earning).... and we have saved about \$300,000. There is still the possibility that they may save \$600,000 to \$700,000 in the redemption of those \$13,000,000 of debentures so that when you come down to the fine point it means instead of paying \$32,700,000 they should be paying about \$30,700,000 on \$14 h.p.

There was another factor in that which caused Beck to meet the McKenzie figure. If the Hydro had not bought they would have had to spend about \$1,000,000 in Toronto connect up with the Toronto Railway Co. (T.T.C.) By making that purchase they saved it and there are all those elements in it.

There was also the element of water for diversion to the Chippawa development-- a very important element-- and I felt that a matter of one or two million dollars was not much in this matter.

Mr. Harris inquired as to the difference in the efficiency of the Electrical Development plant and the Chippawa plant and Mr. R.A. Ross explained that whereas the Electrical Development generated about 14 h.p. from each second-foot, the Chippawa could develop about 30 h.p. He also explained that the Toronto Power Co. is a more efficient plant than the Electrical Development and has a greater installed capacity.

The \$2,500,000 is for the rails outside the City, paid for by bonds of the Commission supported or secured by City of Toronto bonds to that amount. Toronto is responsible for that.

For the T.E.L. lines in the City of Toronto assumed the \$350,000 in notes of the T.E.L. and \$6,800,000 20-year bonds of the City of Toronto. That all goes to the Toronto Hydro System. The R.E.P.C. and

that \$32,000,000 was agreed to there were two or three points of savings we had in mind:

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Mr. Harris inquired as to the difference in the efficiency of the Electrical Development plant and the Chippewa plant and Mr. H.A. Ross explained that whereas the Electrical Development generated about 14 n.p. from each second-foot, the Chippewa could develop about 20 n.p. He also explained that the Toronto Power Co. is a more efficient plant than the Electrical Development and has a greater installed capacity.

Mr. Clarkson was asked whether or not there were \$54,000,000 securities out against the property.

A: The bonds outstanding are part of the purchase price of \$32,000,000, and the bonds assumed are as follows:

\$4,335,000	due 1933 - Elect. Development Co- 5%
13,500,000	4½% maturing 1941 - T.P. Co.
4,100,000	T.P. bonds maturing 1924 - 5%
850,000	notes T.E.L. 1921 - 6%
<u>approx \$22,800,000</u>	

This debt is paid by the assumption of 4½%, 5% and 6% securities. The average rate is 4¾% (only a small amount of 6% securities).

The difference between \$32,700,000 and \$22,800,000-- or approx \$10,000,000-- was covered as follows:

\$2,375,000	of 6% Bonds of H.E.P.C. supported by the City of Toronto, for the Radials.
619,000	of 6% straight Hydro debentures guaranteed by the Province
<u>6,900,000</u>	6% City of Toronto debentures
Approx. 9,900,000	

The purchase price of the Power Company, the Electrical Development Co. and the Toronto & Niagara Power Co. was paid by -

\$23,000,000 assumption of outstanding securities and 619,000 by Hydro Debentures. That is Beck's part.

Now the City of Toronto pays -

\$6,900,000 in 6% Debentures -- to cover T.E.L. and city portions radials.

800,000 notes of T.E.L. assumed
2,375,000 for the Radials - bonds deposited with H.E.P.C.

Of the \$6,900,000, \$585,000 is for the Metropolitan section on Yonge Street up to Farnham Ave., and the sections of the Mimico and Scarborough lines taken over by the City of Toronto for the T.T.C.

The \$2,375,000 is for the radials outside the City, paid for by bonds of the Commission supported or secured by City of Toronto bonds to that amount. Toronto is responsible for that.

For the T.E.L. lines in the City of Toronto assumed the \$850,000 in notes of the T.E.L. and \$6,800,000 10-year bonds of the City of Toronto. That all goes to the Toronto Hydro System. The H.E.P.C. and the province are in no way responsible.

Mr. Haney: So that the Hydro gets the Electrical Development plant, Canadian Niagara Power. Co. (Transmission line) and the Toronto steam plant (value \$950,000 including the real estate)?

Mr. R.A. Ross. I valued that and the real estate is of greater value than the steam plant. The plant is in fair shape. It is a valuable property.

Mr. Clarkson explained that while Toronto had given bonds covering all radial lines outside the City limits it is so arranged that any of the municipalities through which the lines pass may come into the agreement as partners whenever they wish.

Mr. R.A. Ross inquired as to the use of the words "Bond" and "Debenture"

Mr. Clarkson explained that there was no difference. "I always use 'Debentures' in speaking of the Hydro securities because a debenture is a floating charge, nothing but a promissory note; they are not secured on anything. I don't think any security issued by the Hydro is entitled to be called a 'Bond'".

At the price paid by the Hydro for the Electrical Development and the Power Company, taken on the basis of Hydro prices, the earnings should be sufficient to maintain that plant, pay interest on the purchase price and amortize the purchase price in 40 years, and over the last two years the revenue was approximately \$290,000 more than was sufficient to do so in that period.

CHAIRMAN: Did you investigate the machinery?

A: No, we did do this: off the price we had set on the amortized basis we deducted \$1,000,000 which the Hydro engineers said was O.K. on a physical examination, as an amount that might have to be spent to bring it up to an efficient basis. It was entirely outside of our realm. I fancy Gaby could tell you about that.

Mr. Harris: You have dealt with the Electrical Development on its own footing?

A: I did this: I took the amount of power they generated and applied Hydro rates to it to determine what it would produce. We deducted expenses of the Power Company in operation, scaling them down to the extent of certain savings we would make by the amalgamation of the operations and that brought us certain net revenue. Then we applied that, so much was deducted for interest on

Mr. Smith: So that the first part of the statement is correct?
A: Yes, I think so. (The statement is)
and the second part is correct?
A: Yes, I think so.

Q: Now, I think that the first part of the statement is correct?
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bonds outstanding and the purchase price at 4½%, 5% and 6%..... That worked out to the figure I have given.

Mr. R.A. Ross inquired what was intended to be done with the T.E.L. to make a uniform thing of it as it is 60-cycle power. They have a lot of stuff outside the normal equipment of an electrical development. They could of course run it as a separate institution and take all the increase on their own Hydro system.

The Chairman inquired whether the T.T.C. would take charge of those radials which the Hydro has bought. Mr. Clarkson explained that the T.T.C. operated those portions within the City limits only and nothing outside.

The City has given their bonds but will not run these lines. They have given collateral bonds. These \$2,300,000 in bonds underlie the Hydro bonds guaranteed by the Province. If the County of York, for instance, came into the partnership by paying their portion, a similar amount of Toronto's bonds would be released.

The Chairman asked about the assumption of the deficits, if any. Mr. Clarkson explained that the City is responsible. There is a provision in the Act which says that the Hydro Commission can make a demand on the City of Toronto to pay the deficit, and if the City does not do it then the Hydro can sell part of those bonds to meet the deficit and the City must replenish the bonds.

MR. HANEY: The bonds are for capital account and for operations?

A: They are bonds for deficits and capital repayment. Sinking fund is taken in as part of operating costs.

MR. HANEY: Well, the Hydro are involved in this only as operators of the portions outside the City?

CHAIRMAN: It is vested in them as trustees and they have issued bonds to cover all these and the City of Toronto had issued equivalent bonds. But about the profits?

A: The City is entitled to the profits.

MR. HARRIS: Is that the same as the Guelph Radial?

A: Yes, and the Sandwich & Windsor.

Page 28. The 2nd column contains the 2nd column of the 2nd table
and the 3rd column contains the 3rd column of the 2nd table.

Mr. [redacted] was interviewed by SA [redacted] on [redacted] at [redacted]. He stated that he had been employed as a [redacted] at [redacted] from [redacted] to [redacted]. During this time, he worked under the supervision of [redacted] and [redacted]. He stated that he had no contact with [redacted] or [redacted] during his employment.

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The following table shows the results of the survey conducted by the Department of the Interior, Bureau of Land Management, in 1964, regarding the use of land in the State of Alaska. The table is divided into two main sections: "Land Use by Type" and "Land Use by Region". The "Land Use by Type" section shows the percentage of land used for various purposes, such as agriculture, forestry, and recreation. The "Land Use by Region" section shows the percentage of land used for various purposes in different regions of the State.

ALL THE ABOVE SAID TO BE TRUE AND
CORRECTLY STATED

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Mr. [redacted] : Mr. [redacted]

It is noted in the above that the
the above mentioned persons are not
the above mentioned persons are not
the above mentioned persons are not
the above mentioned persons are not

...at the end of the line...

Is that the same as the Greek Radical?

Yes, and the Sabbath is a day of rest.

MR. HARRIS: Why could not the T.T.C. have operated those lines?

A: That idea was advanced once or twice and it was combatted very seriously by the Hydro (and I am not so sure-- by the City); anyway it was eventually agreed to between the City and the Hydro in this way.

R.A.ROSS: Flexibility was what they were after.

Mr. Clarkson called attention to the fact that the County of York had been to see the Premier to get a Bill put through to empower them to buy the Metropolitan if the City dropped out. He could not say whether the roads were making money as he was not allowed to examine their accounts. "We will make an audit in the course of this clean-up but we cannot tell yet. We know pretty well that the Metropolitan was making money, and that the Lake Shore was breaking even." Mr. Clarkson stated that he recalled at a Council meeting that Beck told the Council they might have to pay deficits as they were losing propositions.

CHAIRMAN: They could not get the parts inside the City if they did not take the outside portions as well. But how about expropriating?

A: That would have been dangerous and very serious.

Supposing they had not bought the Electrical Development. The Electrical Development had a line of customers some of whom are tied up under long-term contracts, at fixed prices:

1925	--	Niagara St. Catharines Ry.	2600 h.p.	
1929	--	Exidon Company	5750 h.p.	\$14.
1921	--	Ont. Paper Company	8200 h.p.	\$16
1921	--	Riordon	750 h.p.	\$25
1929	--	Fibre Co.		\$20
1930	--	Interlake Paper Co.		
1937	--	National Abrasives	1800 "	
1920	--	Ontario Power Co.	13000 "	\$13
1925	--	Buffalo Gen. Electric	17000 "	
		Toronto Railway Co.		
		Toronto & Niagara Power	35000 "	\$15
		Toronto Suburban	2500 "	
		C.N.R.	600 "	
		Toronto & York	4700 "	\$25
		Leaside Munitions	3000 "	\$36
1925	--	Goodyear	4000 "	\$24

Off Peak 18,000

Now, I take it if they had not gone into the purchase the Electrical Development Co. would have met them in competition with the increased cost of Chippawa.

Mr. Clarkson said he felt safe in saying that the Toronto Power Co. could have remained in business and made a profit as opposed to the Hydro.

But back of the whole thing in my mind, was the necessity and advisability of securing that water situation for the Chippawa Canal.

CHAIRMAN: But under those circumstances it would be cheaper to close it down than it would be to close down the Ontario Power Co. and turn its water into the Chippawa Canal.

A: The Electrical Development and the Toronto Niagara Power and the Toronto Power Co. have to remain in business. It is just like the Ontario Power Co.

MR. HARRIS: But the acquiring of these two plants gets away from the scheme of the Hydro of "power at cost". These contracts are not made at cost.

A: The Hydro must sell power to the municipalities at cost but it is not the same in selling to private consumers. It can make a contract with the companies to sell at any price.

Mr. Harris: If that is the policy the proper thing for the Hydro to do is to go up to Nipigon and buy the Kaministiquia Power Co.

A: First of all, a change in the policy of the Hydro was made on the purchase of the O.P.Co. That was done by the Commission (they say so anyway) in order to get further supplies of power.

R.A. ROSS-- In that case the question of water comes in theoretically. The change took place when the O.P.Co. was bought and this is merely a furtherance of that policy.

MR. HARRIS: Is it not a fact that the Hydro must have an absolute monopoly of the power where they are operating to make a success because their power costs more than their competitors?

A: I would not say that.

MR. HARRIS: They were buying power from the O.P. Co. at \$9.

Now, I said it is they had not gone into the purchase
the Electrical Development Co. would have had them in
negotiation with the Government and it is impossible.

Mr. Johnston said he felt sure he was right in his
opinion. He said he was sure that the Government
would make a mistake in the future.

But none of the whole thing in my mind, and the
Government was absolutely at fault in the whole
situation for the Electrical Co. had.

But under those circumstances it would be
impossible to have it done. It would be to give them
the Electrical Co. and then the action into the
Government would.

The Electrical Development Co. had the power
to give them and the Government Co. had to
remain in business. It is just like the Electrical Co.
Co.

But the Government of the whole thing
was just the same as the Government of the whole
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The Government must have been in the position
of not having it done. It was just the same as the
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I would not say that.

They were buying power from the O.E.C. at \$3.

A.

The reason was that the Ontario Power Co. got themselves into a mess and got to a point where they could not get money. They had to get a contract for further advances. They were in difficulties and that is when they came to the Hydro and offered to sell power at \$9.

It was suggested that the O.P. Co. were forced to sell.

CHAIRMAN:

Supposing no question of water had arisen and it was fairly certain that the Hydro would be able to get enough water for Chippawa without drawing it away from the Electrical Development, would you have recommended the purchase?

A:

Now you come down to the question of public policy. You had in this Province for the last 15 years a feud between McKenzie and the public had come to the state of mind where they wanted McKenzie out of the way anyway. I think that was absolutely strong enough. The sentimental situation was strong enough to advise the purchase, even though there would be no financial returns, to get them out of the way. The City also wanted the T.E.L. cleaned up and could buy it at a favorable price.

As for the Electrical Development there was first of all the water situation. Second, from a financial standpoint it looked as though it were possible to purchase on a basis where it would pay, then on the other hand the Hydro was putting it out of business and wrecking the enterprise and it was well for the Government to protect the Government's finances. You had it either going or coming.

The Toronto Railway Co's franchise expired in 1921; Chippawa was not complete and they had said "We will not sell you any more power."

MR. HANEY:

When did the contract to supply the T.R.Co. expire?

A:

On one day's notice.

CHAIRMAN:

That was from Toronto's standpoint?

MR. GUILFOYLE:

The last two years the Hydro had bought from the Electrical Development from 30,000 to 40,000 h.p. which they were told time and time again would not be sold. With the negotiations going on the Hydro have purchased this power, and they needed it while Chippawa was being got ready. There would have been a real power shortage in the last two years without the power taken from this Electrical Development. The price, I believe, was \$15. And the Hydro are still buying from the Canadian Niagara 50,000. That was the limit they could get.

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It was suggested that the T.W. Co. were insured

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in 1941, Japanese was not complete and they had said "we will have the new power."

Section

1990

11-10-1964

They could get from the Canadian Ministry of CND. That was the limit. I believe, Mr. H.C. and the others are still buying paper from this International Development. The first paper shortage in the last two years without the shipping was being met partly. There will have been a paper shortage this year, and they needed in 1971. It was said, with the negotiations under at the time. The United States sold him and him again with the Canadian Development Co. \$5,000 to \$10,000. The last two years the price had doubled from

CHAIRMAN: You think, Mr. Clarkson, that from the Hydro standpoint that was justified and it was an insurance that the water supply would be safeguarded for the Chippawa Development?

A: Yes, and without the necessity of approaching the United States to have that treaty revised.

CHAIRMAN: We understand that developments are taking place on the American side which will make it necessary for them to take more water.

A: In regard to that, if those negotiations take place with the United States asking for them we will get a fair deal. On the other hand if Canada were put in a position where she was forced to go and bargain we could not expect to get so good a deal. I may be wrong about it, but I have felt that you can't rely upon any change in that treaty until it actually takes place.

R.A. ROSS: In other words, it will come when the U.S. wants it.

A: Yes, and they are beginning to want it, and if the initiative comes from the U.S. we will get a fair deal for the United States have claimed that we got far more than we ought.

J.A. ROSS: That is the big point you put down in regard to the purchase of the Power plants:

A: Yes, and by purchasing these plants you have a chance to get this assurance of water supply with the added prospect of taking over these plants on a basis where they will be self-sustaining.

MR. GUILFOYLE: There is no doubt they are begging for power over there now.

CHAIRMAN: They are claiming the right to take 20% more...

A: Yes, they are claiming this swing. But apart from this phase of the situation you had the public demand and the public clamor to get this McKenzie situation cleaned up. It was not over at the time the negotiations began. This agitation has been on for 15 years.

MR. HANEY: I am interested in knowing the exact amount of this "Clean-up" that the H.E.P.C. become trustees for.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 08-19-2010 BY 60322 UCBAW/SJS

the United States to have that treaty ratified.

100-443887-100

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10. In every sense, it will come within the law.

was, 31 years of age, married and with two children
was a member of the A. O. U. and was a member of the
reg. of the A. O. U. and was a member of the A. O. U.
He was a member of the A. O. U. and was a member of the A. O. U.

There is no sign of any other persons in the room.

Yes, and by purchasing these glasses you have
 helped to keep the glasses in the hands of the
 people who need them. The glasses are made
 of a special material which is not only
 strong but also clear and comfortable to wear.

There is no other way to get the power of the people.

4. The Court shall have the right to appoint and remove its members.

10-10-44

TO DIRECTOR, FBI, WASHINGTON, D.C. (100-368544) (P)
FROM SAC, NEW YORK (100-100000) (P)
SUBJECT: [REDACTED] (C)
RE: [REDACTED] (C)

A: \$22,548,000 the Development Co. and Power Co.
 2,375,000 Radials
\$24,923,000

This includes the Steam Plant valued at \$1,000,000.
 Of the total \$22,700,000, the City of Toronto is liable
 for \$7,811,000.

MR. HANEY: Does the City of Toronto take over these
 properties in fee simple?

A: Yes. After we had got on with this
 transaction to a certain extent we found a long list of
 securities behind this \$13,000,000 of debentures of the
 Toronto Power Co. and those securities in the hands of the
 British Empire Trust Co. absolutely blocked for any
 possibility of giving a title to the T.P. Co.

That is why we had to revamp the whole situation.
 All those original securities were to be given up to the
 Hydro and in their stead the Hydro debentures guaranteed
 by the Province were given. That left it in a position
 where the securities of these different plants were free.
 Only one thing remained and that was a lien on the
 Toronto Electric Light Co. property, \$1,500,000.
 and the City of Toronto will have that encumbrance in the
 equity, but I told the Mayor I did not think they would
 have any risk in the world.

The 1934-35 season was a record for the
 Government of Canada, with a total of
 1,100,000,000 lbs. of wheat being
 produced. This is a record for the
 Government of Canada, and it is a
 record for the world.

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The 1934-35 season was a record for the
 Government of Canada, with a total of
 1,100,000,000 lbs. of wheat being
 produced. This is a record for the
 Government of Canada, and it is a
 record for the world.

CHAIRMAN: What is the liability of the Province in connection with this?

A: The Province guarantees \$13,500,000 debentures, guarantees \$698,000, and \$2,375,000 radial debentures.

CHAIRMAN: What justification has the Province to come in and do this when it is so largely a municipal undertaking?

A: There is no justification in the Power Commission Act at all. It is a question of public policy.

J.A. ROSS: What part did the Ontario Government guarantee?

A: The \$13,500,000 debentures of the Hydro which were put into the British Empire Trust Co. to release these Toronto Power Co. debentures.

CHAIRMAN: It will be asked by those taxpayers of the Province who are not Hydro users "Why should I have to guarantee this?"

MR. HANEY: Of course that is what the Federal Government do in guaranteeing steam railways.

MR. HARRIS: While the Province of Ontario has guaranteed these securities all of them have to be paid by the municipalities on the Niagara System so it goes back to the municipalities eventually.

A: Yes. I have told the Government twice that there ought to be some of the Hydro Act to clean up and straighten out and make absolutely certain that the municipalities are liable, as in the case like the Ontario Power Co. where they buy shares and issue debentures in a hurry and sections are clamped into the Act. Kilmer's opinion is that there is no doubt that the municipalities are liable for the Hydro purchase for them as trustees.

CHAIRMAN: Has Kilmer given you a written opinion on that?

A: No. I have never asked him for one. I was authorized to discuss these and it has come from our conversation across the table.

CHAIRMAN: Have you given him a report to clarify his opinion?

A: Yes, I think last March. I distinctly said in

CHAIRMAN: What is the liability of the Province in connection with this?

A: The Province guarantees \$12,500,000 in interest, \$12,500,000 in principal, and \$2,500,000 in sinking fund.

CHAIRMAN: What justification has the Province as to come in and to this when it is so largely a municipal undertaking?

A: There is no justification in the former Government's part of it. It is a question of public policy.

J.A. HARRIS: What part did the Ontario Government guarantee?

A: The \$12,500,000 guarantee of the Hydro Electric Commission was put into the Ontario Budget for 1907, so released from Ontario's hands.

CHAIRMAN: It will be noted by these members of the Province who are not quite sure "the people" have the guarantee right?

J.A. HARRIS: It seems that in this the Ontario Government is responsible for the guarantee.

A: While the Province of Ontario has guaranteed the Hydro Electric Commission all of their debt to be paid by the Province, the Ontario Government as it goes back to the municipalities eventually.

A: Yes, I have told the Government before that the Hydro Electric Commission is a municipal body, and that the municipalities are liable for the debt, as in the case of the Ontario Hydro Electric Commission. The Hydro Electric Commission is a municipal body, and the municipalities are liable for the debt, as in the case of the Ontario Hydro Electric Commission. The Hydro Electric Commission is a municipal body, and the municipalities are liable for the debt, as in the case of the Ontario Hydro Electric Commission.

CHAIRMAN: The Minister gives a written opinion on this?

A: I have never asked him for one. I was authorized to discuss these and it was some time ago.

CHAIRMAN: Have you given him a report on this?

1920 that this thing should be cleaned up.

CHAIRMAN: Did you give any particular points to be cleaned up?

A: No, only in that one particular. Generally, prior to each session it was the custom for the Government to discuss and to clean up uncertainties in the Act but this was not done last year.

CHAIRMAN: I think it may be as well for us to have your statement as to what ought to be cleaned up.

A: Yes, I think that is an important thing.

HANEY: But there might be the necessity for other amendments to cover conditions where they may have to sell power below cost and it should be done legally.

A: It has to be done legally or I must report it. There was no use crossing that bridge until coming to it. It is a question of determining your policy.

CHAIRMAN: Have you thought of what should be done to bridge over the period? ~~to consider this in the light of~~

A: In a general way, yes. It is this: If there is a deficit, after charging a reasonable price for power that this deficit ought to be carried forward (subject to the approval of the Governor-in-Council) for the first 2, 3, or 5 years--it may be even 10 years. If you were to charge full cost of Chippawa power you might have to ask \$25 or \$30, or more, which would be so heavy as to absolutely nullify what you were trying to accomplish. My idea was to charge a price of say \$15, or \$17 or even \$20,--whatever you felt to be reasonable--then you could carry forward the resultant deficit. Say this is \$1,000,000. You carry that forward for a period which may be found necessary,--5 years or more--until you get the maximum of the production of your canal and then if you are charging \$15, \$17 or \$20 you arrive at a point where your revenue is greater than your expenses, then you can pick up and pay off this accumulated deficit.

Mr. Clarkson declined to prophesy as to when a certain fixed price for power would begin to break even, saying that it was no part of the office of an accountant to prophesy.

CHAIRMAN: Time and time again Sir Adam Beck has said that the Province does not run any liability by giving this guarantee, that the Hydro has always paid its way. It is now up against it. Chippawa and Nipigon are new developments. For the time being it will have a great effect on the finances of the Province.

the benefit of those who are not yet

Comments: All the five new specimens appear to be identical.

10 The only way to find out whether the Government is really interested in the welfare of the people is to see if it is willing to spend money on them. The Government has spent a great deal of money on the people, but it has not spent enough. It has not spent enough on the people who are most in need of help. It has not spent enough on the people who are most in need of help. It has not spent enough on the people who are most in need of help.

1. I think it may be as well to have your letter
sent to your wife to be cleared up.

A: Yes, I think that is an important factor.

WANT: But there might be the possibility of other considerations

to have been a member of the same group. The group was active in the early 1960s and was known for its activities in the area of civil rights. The group was active in the area of civil rights and was known for its activities in the area of civil rights.

1. It has to be done legally or I want to know how
we can do it. I want to know how we can do it.
I want to know how we can do it.

REMARKS: Have not thought of what again to do as before
over the subject

[illegible]

Mr. [redacted] advised in writing as to when a certain
[redacted] after the power would begin to flow even, saying
that it was no part of the office of an accountant to

[illegible]

- A. The Province may have to provide funds to adjust these matters.

The Chairman protested that Toronto is getting power at a very low rate and if the Hydro charged this City more they would have a greater amount to return to the Government. The people outside of Toronto ask why they should shoulder this burden for the sake of Toronto.

Mr. Clarkson believed that Toronto citizens more than made up for that in taxes. And then the Government are doing something for lines in rural municipalities.

Mr. Harris: The whole point is that this is the biggest asset we have had in the Province, and if by bad management, engineering or anything else the thing has been handled in such a way that the cost of power will be so great that the people cannot use it, it is up to us to show this thing up. We can't do that until we get all the facts before us. That we are working on now.

CHAIRMAN: If the Hydro had gone to the Government and told them frankly what it would lead to they could not have gotten the money. *Parliament and the Government.*

MR. WEGENAST: You have to consider this in the light of Sir Adam Beck's statement that he would be glad to see the Government eliminated from the scheme altogether.

MR. HARRIS: No private company could have developed Chippawa without the Government behind them.

CHAIRMAN: What part of the interest will be charged to operations of the Chippawa Development?

- A. That must be made a matter of argument and discussion. Part of the plant is operating and part under construction. *signed, completed by*

CHAIRMAN: Have you ever considered whether there will be a market for the power with the Ontario Power Co., the Electrical Development and the Chippawa in full operation at the same time?

- A. No.

MR. R. A. ROSS: The increase in this province has been 150,000 h.p. a year so that will mean 5 years,--one generating unit a year.

CHAIRMAN: Are they using the full amount of power developed from these two plants and the two units at Queenston?

MR. R.A. ROSS: Yes. They have a market for all the power from the O.P. and E.D. plants and also for 3 units of the Queenston-Chippawa. They were taking 50,000 h.p. from the Canadian Niagara up to at least a few weeks ago.

1. The following are to be used in the following order:

[illegible]

Mr. [redacted] advised that [redacted] was [redacted] by [redacted] and [redacted] at [redacted] on [redacted].

1. The above information was obtained from the files of the FBI, New York Office, and is being furnished to you for your information. It is not to be used for any other purpose.

10-11-68

It is requested that you have the following file in the file of the
the following information and be used as a guide to the
information contained in the above statement.

RECEIVED: 10 JULY 1964
FROM: 10 JULY 1964

STANDARD FORM NO. 64 (Rev. 1-60)

THESE ARE THE RESULTS OF THE RESEARCH CONDUCTED BY THE
BUREAU OF THE ARMY, AND ARE NOT TO BE USED FOR
ANY OTHER PURPOSES WITHOUT THE PERMISSION OF THE
BUREAU OF THE ARMY.

10

1. The first step is to identify the problem or goal. This involves understanding the current situation and what needs to be achieved.

[illegible]

THE UNIVERSITY OF CHICAGO
 DIVISION OF THE PHYSICAL SCIENCES
 DEPARTMENT OF CHEMISTRY
 5708 S. DICKINSON DRIVE
 CHICAGO, ILL. 60637

MR. CLARKSON: That means they will need the full development of the Queenston-Chippawa plant in practically 7 or 8 years.

MR. R.A.ROSS: That will be fully taken in 10 years.

CHAIRMAN: Any danger of a decrease?

MR. CLARKSON: My idea of handling the deficit was that it should be left as flexible as possible. Put it this way: Let the Hydro, with the consent of the Lieutenant Governor-in Council, carry over a certain amount in a Suspense Account from year to year. I absolutely maintain that they shall get the consent of the Lieutenant-Governor-in-Council. They might go and put a \$10 rate on the Chippawa and that would mean carrying it along for 20 years. I told the Premier that in all these financial matters there should be a frank and free discussion because the Government are the bankers. I never saw any disagreement when any discussion came up between the Commission and the Government.

CHAIRMAN: I think there has been too little of open and frank discussion. Have they gone to the Government regarding the Nipigon deficit; have they conferred with the Government and asked for advice?

A. I don't think they have.

It was asked whether the Clean-up was signed.

MR. GUILFOYLE: The main agreement between the McKenzie interests and the City is signed, completed and delivered; but the one between the City and the Hydro has been signed by the City only. There is a difference about the radial entrance but it does not connect in anyway with the Clean-up.

MR. CLARKSON: That means they will need the full development of the Kingston-Chippewa plant in practically 7 or 8 years.

MR. A.A. ROSS: That will be fully taken in 10 years.

CHAIRMAN: Any danger of a decrease?

MR. CLARKSON: My idea of handling the deficit was that it should be left as flexible as possible. But if this way, let the Hydro, with the consent of the Lieutenant Governor and Council, carry over a certain amount in a suspense account from year to year. I absolutely maintain that they shall get the consent of the Lieutenant Governor and Council. They might go and put \$100,000 on the Chippewa and that would mean carrying it along for 20 years. I told the Premier that in all these financial matters there should be a frank and free discussion because the Government are the bankers. I never saw any disagreement when any discussion came up between the Commission and the Government.

CHAIRMAN: I think there has been too little of open and frank discussion. Have they gone to the Government regarding the Wipigon deficit; have they conferred with the Government and asked for advice?

A. I don't think they have.

It was asked whether the Clean-up was signed.

MR. GUTHRIE: The main agreement between the McKenna interests and the City is signed, completed and delivered; but the one between the City and the Hydro has been signed by the City only. There is a difference about the radial entrance but it does not connect in anyway with the Clean-up.

